Activities and Accomplishments in MY 2003/FY 2004

In model year (MY) 2003, covered state and alternative fuel provider (S&FP) fleets that report to the U.S. Department of Energy (DOE) complied with Energy Policy Act of 1992 (EPAct) fleet provisions (10 CFR Part 490) by:

- Acquiring more than 8,100 alternative fuel vehicles (AFVs),
- Purchasing more than 2.2 million gallons of biodiesel, and
- Trading more than 1,200 AFV credits.

Results published in this report show that fleets continue to successfully use alternative fuel technologies to carry out their business activities. Some fleets have demonstrated initiatives to go beyond the scope of EPAct by not only purchasing more AFVs and alternative fuels than required, but providing alternative fuels to other fleets and developing new vehicle technologies that could help regulated fleets.

Status of Covered Fleets

In MY 2003, 304 entities reported to the DOE under the S&FP requirements. Some entities represent one agency or business; others constitute fleet operations for an entire state. The outstanding level of compliance in MY 2003 is credited to DOE's flexibility in allowing fleets to comply in a variety of ways, including acquiring light-duty AFVs, purchasing credits from other fleets, using banked credits, and buying biodiesel.

Vehicle Acquisitions

AFV acquisition is the most common method of compliance. Under S&FP regulations, 75% of new covered light-duty vehicles (LDVs) acquired by state fleets must be AFVs, while 90% of LDVs acquired by alternative fuel providers must be AFVs. AFV acquisition requirements are determined by multiplying a fleet's number of newly acquired, non-excluded LDVs by the applicable percentages.

In MY 2003, covered fleets acquired 8,174 AFVs—20% fewer than during the previous year. The reduction in AFVs was consistent with the reduction in covered LDV acquisitions overall, which decreased by 13% compared to MY 2002.

Fleets bought fewer LDVs in MY 2003 because of downsizing and budget constraints that prohibited them from purchasing new vehicles. In some cases, fleets appear to have delayed turning over their vehicle inventories. Additionally, in MY 2003 the number of AFVs acquired decreased because fleets used more banked credits than ever and were awarded more biodiesel credits than in past years.

Despite the reduction in covered LDV and AFV acquisitions, fleets in MY 2003 exceeded their AFV acquisition requirements overall, banking 2,819 credits—6% more than in MY 2002. This is partly the result of aggressive acquisition by a number of state agencies that are complying with state executive orders and legislation that expand the use of AFVs and alternative fuels beyond EPAct.

Credit Use and Trading

Covered fleets earn bankable credits by acquiring more AFVs than required. Banked credits can be used for future compliance or sold to other fleets. In MY 2003, fleets used 2,468 banked credits to help satisfy their AFV requirements—a 63% increase over MY 2002. These credits helped fleets satisfy almost 23% of their MY 2003 AFV requirements.

For the fifth year in a row, credit trading between fleets increased. In MY 2003, more than 1,200 credits

Figure 1:
AFVs Acquired by Covered Fleets

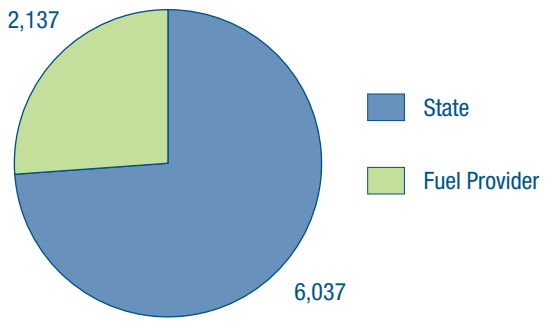
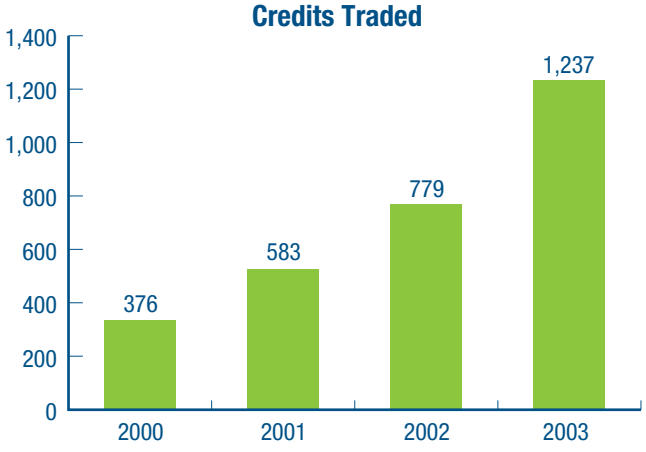


Figure 2:
Credits Traded



were traded, a 59% increase from the previous year.

Figure 3:
Biodiesel Fuel Use
(B100 in Gallons)

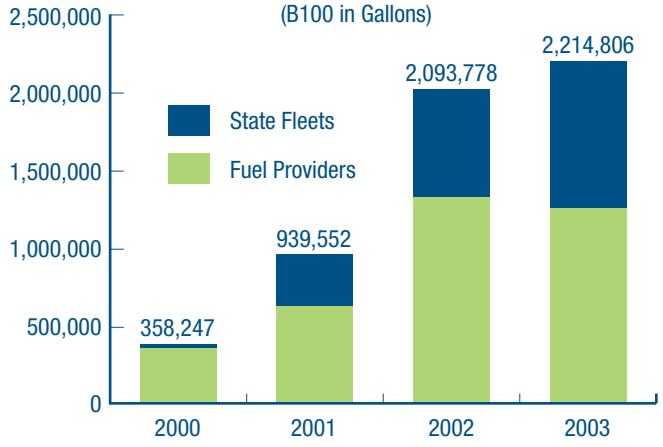


Figure 2 shows the growth of credit trading since 2000.

Biodiesel Fuel Use

Fleets can earn one credit for each 450 gallons of pure biodiesel (B100) they use or one credit for every 2,250 gallons of B20* (See 10 CFR 490.701-702). For the fourth consecutive year, biodiesel fuel use grew. In MY 2003, fleets used more than 2.2 million gallons of B100 compared to 2.1 million gallons in MY 2002—a 5% increase. Biodiesel credits accounted for nearly 14% of AFV requirements in MY 2003, with fleets using a total of 1,474 biodiesel credits. The credits awarded were fewer than the potential credits (total gallons used divided by 450) because fleets are allowed to use biodiesel credits to meet only 50% of their annual requirements, and biodiesel credits cannot be banked for future use.

The number of fleets that use biodiesel also increased from 60 to 77 and accounted for about 25% of all covered fleets. Twenty-five state fleets reported using 964,000 gallons of biodiesel in MY 2003, while 52 alternative fuel provider fleets used 1.2 million gallons.

Although Figure 3 shows fuel providers to be the predominant users of biodiesel, state fleet use has increased every year.

Exemptions

For the second year, exemptions granted to fleets fell. In MY 2003, 33 fleets received 782 vehicle exemptions—26% fewer than the 1,056 granted in MY 2002. This decline is credited to the increased availability and use of biodiesel, increased credit trading, and outreach efforts that instruct fleets to explore these compliance tools before applying for exemptions. (This is detailed in the addendum to "Documentation Requirements for Exemption Requests," which is available on the EPAct Web site at *www.eere.energy.gov/vehiclesandfuels/epact/pdfs/exemption_addendum2.pdf*.)

Exemptions granted in MY 2003 were minimal and reduced the total number of AFVs acquired by only about 7%. The most common reason fleets applied for exemptions is a lack of alternative fueling infrastructure, which signals an opportunity for fuel providers to install more fueling infrastructure.

** For more information on how biodiesel credits are calculated, download "Reporting Biodiesel Fuel Use Credits" from the EPAct Web site (www.eere.energy.gov/vehiclesandfuels/epact/pdfs/biodiesel_guidance.pdf).*

Table 1: MY 2003 Highlights	
Fleets in Compliance	98%
AFVs Purchased	8,174
Banked Credits Used	2,468
Credits Traded*	1,237
Biodiesel Used (in Gallons)	2.2 million
Biodiesel Credits Used*	1,474

** Indicates record in program reporting history.*

Program Activities & Accomplishments

In FY 2004, DOE continued to work with fleets to increase the number of AFVs on the road and expand the use of alternative fuels. Efforts included:

Train-the-Trainer Alternative Fuels Course

EPAct teamed with DOE's Clean Cities activity to sponsor four free half-day courses across the country that trained fleet trainers on the intricacies of E85, biodiesel, compressed natural gas, and propane. The goal of the courses was to send trainers back to their companies as experts who could in turn train drivers about alternative fuels. Participants learned the benefits, characteristics, and properties of each fuel, along with safety practices, emergency action plans, vehicle technologies, and fueling procedures. The courses were held during the spring and summer of 2004 in Minneapolis, Minnesota; Denver, Colorado; Sacramento, California; and Washington, D.C. DOE plans to survey participating fleets to develop ideas on how to deliver training more broadly to EPAct stakeholders.

Stakeholder Outreach

During FY 2004, the S&FP team worked with fleets in several states to determine whether they need to comply with EPAct regulations. The S&FP team also traveled to Mississippi and Virginia to discuss coverage, reporting, and compliance issues with state officials. These efforts are part of an ongoing activity to ensure that state officials and fleets fully understand the requirements of the program and that all covered fleets are reporting and complying with AFV acquisition requirements. As needed, the S&FP team will conduct thorough reviews of individual state reports and contact state officials to obtain

Fleet Fuel Preferences

Bi-fuel and flexible fuel vehicles (FFVs) continue to be popular with covered fleets, largely because some areas have limited fueling infrastructure. In MY 2003, more than 88% of the AFVs acquired were bi-fuel or FFVs. Most of these vehicles were purchased by state fleets.

As a result of increased efforts by DOE, fuel providers are careful to purchase AFVs only if fueling infrastructure is available in their areas. As a result, a dozen or so utilities have recently added their own E85 fueling facilities.

In MY 2003, FFVs that can run on E85 accounted for 65% of newly acquired AFVs. Natural gas vehicles came in second at 24%, followed by propane vehicles at 7%. These percentages are similar to last year's AFV breakdown of 61%, 26%, and 9% respectively.

Figure 4:
MY 2003 Vehicle Acquisition Summary

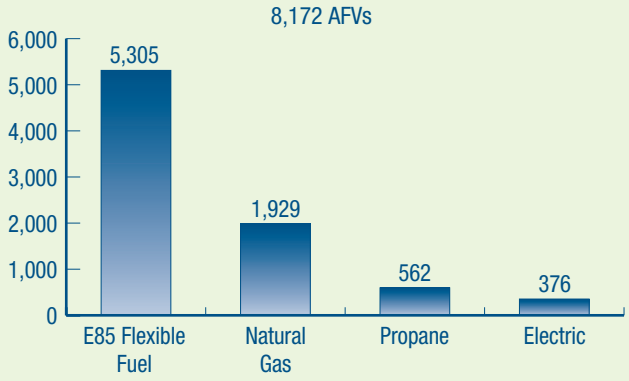


Table 2: AFV Types Acquired in MY 2003	
Light-Duty Sedans	37%
Light-Duty Pickups	27%
Minivans	14%
Sport Utility Vehicles	13%
Full-Sized Vans	1%
Medium-Duty Trucks	8%

information about their compliance with the program. A similar review of fuel providers is being planned.

Also in FY 2004, the S&FP team started developing the E85 Toolkit, an online guide on how to install an E85 fueling site. The toolkit, which will be completed in FY 2005, will be accessible on the Alternative Fuels Data Center Web site (*www.eere.energy.gov/afdc*).

Additionally, the S&FP team during FY 2004 met with members of various alternative fuel trade associations (Electric Drive Transportation Association, National Biodiesel Board, National Ethanol Vehicle Coalition, Natural Gas Vehicle Coalition, and the Propane Vehicle Coalition) to discuss future program initiatives and understand industry developments and activities.

Communication with Covered Fleets

The S&FP team in FY 2004 continued to interact regularly with fleets. Communications include a biannual newsletter, this annual report, reporting reminders, and letters to fleets that fail to file timely reports. Fleets with credit deficiencies were also sent letters that summarized their compliance status and what they should do to resolve deficiencies. Fleets that failed to respond to these notices were contacted directly. As a result of these communication efforts, all covered fleets are in compliance for MY 2003 or have agreed upon strategies for resolving compliance issues.

Also in FY 2004, the S&FP team contacted the largest covered FFV fleets to obtain information on their use of E85. The purpose was to assess utilization rates and opportunities for increasing alternative fuel use.

Presentations at Conferences and Workshops

In FY 2004, the S&FP team presented at the National Biodiesel Board's first Biodiesel Conference & Expo in Palm Springs, California, in February and the Southeast Electric Exchange in Orlando, Florida, in June. EPAct also exhibited and held sessions on compliance at the 10th National Clean Cities Conference in May in Fort Lauderdale, Florida.

Additionally, EPAct exhibits and presentations are planned for the National Conference of State Fleet Administrators in Branson, Missouri; the State Departments of Transportation Biodiesel Utilization Workshop in Boise, Idaho; and the Natural Gas Vehicle Conference & Expo in San Antonio, Texas—all in September. Events like these offer the S&FP team the opportunity to interact with fleets and help them with regulation and compliance questions.

Conclusion

As part of their compliance efforts, covered fleets in MY 2003 acquired more than 8,000 AFVs and consumed 2.2 million gallons of biodiesel. One hundred percent of covered fleets have reported—and all fleets with deficiencies have developed strategies to resolve them. The program has increased its outreach efforts by visiting a number of covered and potentially covered fleets, offering an education course for fleet trainers, and participating in regional and national workshops and events.

What is EPAct?

The Energy Policy Act of 1992 (EPAct) was passed by Congress to reduce the nation's dependence on imported petroleum. Provisions of EPAct require certain fleets to purchase AFVs. DOE administers these requirements through its State & Fuel Provider Rule, Federal Fleet Rule, and Alternative Fuel Designation Authority.

For more information, visit *www.eere.energy.gov/vehiclesandfuels/epact*, or call the Regulatory Information Line at 202-586-9171.

Sponsored by the U.S. Department of Energy
Energy Efficiency and Renewable Energy
FreedomCAR and Vehicle Technologies Program

For more information contact: EERE Information Center
1-877-EERE-INF (1-877-337-3463)
www.eere.energy.gov

A Strong Energy Portfolio for a Strong America
Energy efficiency and clean, renewable energy will mean a stronger economy, a cleaner environment, and greater energy independence for America. Working with a wide array of state, community, industry, and university partners, the U.S. Department of Energy's Office of Energy Efficiency and Renewable Energy invests in a diverse portfolio of energy technologies.

DOE/GO-102004-1989 • September 2004

Prepared by the National Renewable Energy Laboratory (NREL)
NREL is a U.S. Department of Energy National Laboratory
Operated by Midwest Research Institute • Battelle